



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 4

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Memorandum

TO: Legislation Committee

DATE: May 6, 2011

FR: Executive Director

W. I. 1131

RE: FY 2011-12 State Budget Update

Legislators and the Brown Administration made little progress on determining how to close the remaining \$14 billion shortfall in the state budget over the last month, with the only positive sign coming from the fact that tax revenues are about \$2 billion higher than expected. The Governor remains committed to seeking voter approval of tax extensions to help close the shortfall but has not found the votes needed to place such a measure on the November ballot.

In mid-May, the Administration will release its May Revision of the budget, reflecting revised revenue and expenditure projections. This will include revised estimates of gasoline excise taxes, which fund local streets and roads and capital improvement projects, and diesel sales taxes, which fund public transit improvements and operations. The Caltrans capital outlay support request will also be proposed at that time, along with funding for project initiation documents, an important step for any new transportation projects on the state highway system.

Some members of the transportation community, including Mobility 21, a Southern California transportation coalition, are lobbying for a fall bond sale specifically for transportation. An argument can be made that even without a state budget, since truck weight fees are now legally dedicated (under the terms of AB 105 adopted earlier this year) to pay for transportation bond debt service, the state can assure bond holders that the revenue is secure. However, since Proposition 1B was a General Obligation bond, a bond sale in the absence of a final budget seems unlikely.

While the Legislature has appropriated almost \$14 billion out of the \$15.6 billion in funds for the core transportation programs funded by Proposition 1B, less than \$5 billion has been allocated to date due to insufficient bond sales. According to the Legislative Analyst's Office, total transportation bond debt service is approximately \$700 million in the current year. With vehicle weight fees estimated to generate another \$900 million, this leaves about \$200 million in capacity for additional debt service. According to MTC's Chief Financial Officer, this funding stream could support a sale of between \$3 billion to \$4 billion, enabling significant new allocations to be made.

Staff will keep you apprised on these matters as the state budget deliberations unfold over the coming months.

Steve Heminger